

Message Text

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ACTION AGR-08

INFO OCT-01 EA-06 ISO-00 COME-00 EB-07 XMB-02 AID-05

TRSE-00 CIEP-01 CIAE-00 INR-07 NSAE-00 RSC-01 L-02

IO-10 /050 W

----- 104351

R 210252Z JAN 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 243

INFO AMEMBASSY CANBERRA

CONFIDENTIAL PORT MORESBY 0048

PASS COMMERCE AND EX-IM BANK

EO 11652: GDS

TAGS: EAGR

SUBJ: PROBLEMS WITH PARSONS/WHITMORE INVESTMENT

REF: PORT MORESBY 175

1. PAUL GIBSON, PARSONS/WHITMORE REPRESENTATIVE IN SYDNEY, IN PORT MORESBY FOR DISCUSSION WITH GPNG, GAVE ME FOLLOWING RUNDOWN OF HIS PROBLEMS RE PROPOSED INVESTMENT IN PULP MILL AT VANIMO, WEST SEPIK. US/AUSTRALIAN/PNG CONSORTIUM, WITH PARSONS/WHITMORE AS US PARTNER, HAD BELIEVED LETTERS RECEIVED FROM SOMARE AND CHAN WERE SUFFICIENTLY ENCOURAGING FOR CONSORTIUM TO PRESS FORWARD. AT THE REQUEST OF GPNG, GIBSON APPROACHED SEVERAL MAJOR INTERNATIONAL FINANCIAL INSTITUTIONS FOR FINANCING OF PROJECT. AFTER GETTING ENCOURAGING RESPONSES ON FINANCING, GIBSON WAS DISMAYED TO LEARN THAT GPNG WAS OFF ON A NEW LINE OF ACTION.

2. GPNG WROTE SEVERAL MAJOR PULP AND PAPER FIRMS, INCLUDING PARSONS/WHITMORE, TO ASK THEM TO SUBMIT PROPOSALS ON DEVELOPMENT OF AREA NEAR VANIMO FOR WHICH GIBSON THOUGHT GPNG WAS ABOUT TO SIGN AGREEMENT WITH PARSONS/WHITMORE AND CONSORTIUM. GPNG LETTER ASKED FOR SHOW OF INTEREST AND THEN PROPOSAL, WITH DUE DATE CONFIDENTIAL

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IN LATE 1975.

3. GIBSON THOUGHT THIS WAS BAD FAITH, AND CAME TO PORT MORESBY TO ASK GPNG FOR EXPLANATION. HE SAID CONSORTIUM HAD SPENT NEARLY ONE MILLION DOLLARS AND HAD BEEN NEGOTIATING FOR A YEAR, AND WAS NOW BACK TO SQUARE ONE. HE APPEARED TO HOLD MCINTOSH, OUTGOING DIRECTOR OF FORESTS, RESPONSIBLE.

4. AFTER GIBSON HELD DISCUSSION WITH MINISTER OF NATURAL RESOURCES JEPHCOTT AND OTHERS, JEPHCOTT FLEW TO WEWAK TO DISCUSS MATTER WITH SOMARE. GIBSON SAYS JEPHCOTT IS CONCERNED ABOUT REPERCUSSIONS AMONG INTERNATIONAL INSTITUTIONS. GIBSON SAID HE MADE IT CLEAR TO JEPHCOTT THAT HE HAD APPROACHED INTERNATIONAL FINANCIAL INSTITUTIONS IN GOOD FAITH, AND NOW FEELS GPNG HAS PULLED RUG FROM UNDER FEET. HE APPARENTLY HINTED BROADLY HE WOULD LEAK THIS TO PRESS, AND FURTHER, WOULD DISCUSS WITH BERN GROUP OF FINANCIERS WHO WILL MEET IN SYDNEY NEXT WEEK.

5. COMMENT: UNDP HAS FINANCED VISIT OF SEVERAL FORESTRY EXPERTS TO PNG RECENTLY, AND THERE ARE INDICATIONS THAT THEY MAY HAVE ADVISED GPNG AGAINST PARSONS/WHITMORE PROPOSAL. HOWEVER, EVEN IF PARSONS/WHITMORE PROPOSAL IS NOW VIEWED UNFAVORABLY BY KEY OFFICIALS, THE GPNG WILL HAVE TO BALANCE OFF UNFAVORABLE PUBLICITY OF BACKING OUT AT THIS TIME.

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